

Message Text

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SUBJECT: REPLY TO CONGRESSMAN GUYER RE THE WESTINGHOUSE
NUCLEAR POWER PLANT PROJECT--ENCLOSURE TO HOLBROOKE LETTER

REF: 080068

FOLLOWING IS THE EXTRACT FROM THE EXPORT-IMPORT BANK
(MOORE) RESPONSE TO QUESTIONS ASKED (BY LONG) IN FEBRUARY
8 HEARINGS OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE
HOUSE APPROPRIATIONS COMMITTEE SENT AS ENCLOSURE TO
HOLBROOKE'S REFTEL LETTER TO GUYER. (FULL TEXT OF EXIM
RESPONSE WILL BE POUCHED).

BEGIN UNCLASSIFIED QUOTE

SAFETY

MR. LONG. DOESN'T EXIM ROUTINELY INSIST, AS DOES THE WORLD
BANK, ON CERTAIN STANDARDS AS PREREQUISITE TO FAVORABLE
LOAN ACTION. THESE INCLUDE: MEETING THE LATEST SAFETY
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STANDARD SET BY THE PRODUCING NATION'S REGULATORY AUTHORI-
TIES AND ACTUALLY OPERATING SUCCESSFULLY ON THEIR NATIONAL
ELECTRICAL SYSTEM. YET THE PHILIPPINE REACTOR HAS MET
NEITHER OF THESE CRITERIA BUT HAS RECEIVED FINANCIAL

ASSISTANCE. WHY?

MR. MOORE. THE PHILIPPINE PLANT'S DESIGN REQUIREMENTS
EMBODY THE SAFETY STANDARDS OF THE PHILIPPINE ATOMIC
ENERGY COMMISSION AND THOSE OF THE IAEA. EXIMBANK'S

EXPERIENCE HAS BEEN T;AT THE SAFETY STANDARD; OF THE IAEA ARE GENERALLY AS RIGOROUS AS THOSE WHICH THE US REGULATORY AUTHORITIES, INCLUDING THE NRC, PROMULGATE FOR DOMESTIC PLANTS. THE SITE SELECTION STUDY, TOGETHER WITH THE PRELIMINARY SAFETY ANALYSIS REPORT (PSAR), WAS REVIEWED BY THE IAEA, PHILIPPINE ATOMIC ENERGY AGENCY AND AN NRC CONSULTANT PRIOR TO THE ISSUANCE OF A PERMIT TO PROCEED WITH CONSTRUCTION. IN THE JUDGMENT OF EXIMBANK, THE SAFETY STANDARDS UPHELD BY THE IAEA AND THE PHILIPPINE ATOMIC ENERGY COMMISSION TOGETHER WITH THE IAEA REVIEW PROCESS MEET EXIMBANK CRITERIA.

OBVIOUSLY A NUCLEAR POWER PLANT (THE FIRST OF ITS TYPE IN THE PHILIPPINES) CANNOT HAVE ALREADY DEMONSTRATED EARLIER SUCCESSFUL OPERATION ON NPC'S NATIONAL GRID.

MR. LONG. THE EXIMBANK HAS AN ENGINEERING STAFF, OFTEN SUPPORTED BY CONSULTING FIRMS WHICH REVIEW THE PROJECT FROM A TECHNICAL VIEWPOINT, INCLUDING THE SITE AND GENERAL SAFETY SITUATION AND COMPARING COSTS TO SIMILAR PROJECTS PREVIOUSLY FINANCED BY THE BANK. IT WOULD ALSO SEEM REASONABLE TO EXPECT THE STAFF TO MAKE SURE THAT THE BUYER HAD DEVELOPED A SOUND TECHNICAL BASE FOR THE RELIABLE AND LIMITED OFFICIAL USE
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EFFICIENT OPERATION OF THE NUCLEAR PLANT.

MR. MOORE. THE BANK HAS SATISFIED ITSELF THAT THE BUYER WILL BE CAPABLE OF RELIABLY AND EFFICIENTLY OPERATING THE NUCLEAR PLANT.

MR. LONG. ACCORDING TO THE FORMER DIRECTOR OF INTERNATIONAL PROGRAMS OF THE ATOMIC ENERGY COMMISSION, "US MANUFACTURERS HAVE EXTREMELY POOR RECORDS OF INFORMATION DISCLOSURE TO FOREIGN PURCHASERS. DESIGNS AT TIMES DO NOT REFLECT ALL THE REGULATORY ITEMS REQUIRED IN THE US: AT TIMES DESIGN INNOVATIONS ARE FIRST TRIED BY US MANUFACTURERS IN OVERSEAS REACTORS. THE PHILIPPINE REACTOR IS A CASE IN POINT. ACCORDING TO AN IAEA OFFICIAL, THE PHILIPPINE REACTOR HAS NOT UNDERGONE A RIGOROUS REVIEW AND MODIFICATIONS THAT MIGHT HAVE BEEN REQUIRED ARE NOT AVAILABLE FOR CONSIDERATION. HAS EXIM LOOKED INTO THIS PROBLEM?

MR. MOORE. EXIMBANK WAS NOT AWARE OF THE COMMENTS QUOTED

ABOVE, FINAL DETAILED DESIGN ENGINEERING FOR NUCLEAR PLANTS IS NOT COMPLETED UNTIL WELL INTO THE CONSTRUCTION PERIOD ALTHOUGH THE GENERAL DESIGN CRITERIA, INCLUDED IN THE REPORT TO THE PHILIPPINE ATOMIC ENERGY COMMISSION AND IAEA, ARE SCRUTINIZED BY EXPERTS BEFORE APPROPRIATE OPER-

ATING LICENSES CAN BE ISSUED. THE PRINCIPAL RESPONSIBILITY FOR INCORPORATING DESIGN INNOVATIONS AS THEY ARE PROMULGATED BY THE NRC IS THE PHILIPPINE ATOMIC ENERGY COMMISSION. EXIMBANK DOES NOT CONSIDER THIS A PROBLEM; ON THE CONTRARY, THE SAFETY RECORDS OF US ORIGIN NUCLEAR PLANTS EXPORTED TO OTHER COUNTRIES IS WITHOUT BLEMISH.

EBASCO, THE CONSULTANT, TOGETHER WITH WESTINGHOUSE AND THE PHILIPPINE ATOMIC ENERGY COMMISSION, ARE WELL AWARE OF THE UNIQUE REQUIREMENTS OF THIS PROJECT, AND FINAL
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DESIGNS ARE SUBJECT TO THE APPROVAL OF THE IAEA AND THE PHILIPPINE ATOMIC ENERGY COMMISSION. THE IAEA ROUTINELY EVALUATES NRC PROMULGATIONS ON PLANT DESIGN AND INCORPORATES MANY OF THESE INTO IAEA GUIDELINES. THE PHILIPPINE AEC, IN CLOSE CONSULTATION WITH THE IAEA, IS FOLLOWING IAEA GUIDELINES.

MR. LONG. AT US URGING, AN IAEA TEAM VISITED THE PHILIPPINE ATOMIC RESEARCH CENTER IN SEPTEMBER 1972 TO MAKE A HEALTH AND SAFETY INSPECTION OF THE CENTER. THE TEAM REPORTED CONDITIONS AT THE CENTER TO BE POTENTIALLY HAZARDOUS. DID YOU EVER INQUIRE AT THE CENTER TO SEE IF THEY HAD IMPROVED? ISN'T THIS SERIOUS EVIDENCE OF AN INABILITY ON THE PART OF THE LOCAL STAFF TO SAFELY OPERATE A 620 MW COMMERCIAL REACTOR?

MR. MOORE. EXIMBANK IS SATISFIED THAT LOCAL NPC STAFF WILL BE CAPABLE OF SAFELY OPERATING THE PLANT AND STRONGLY STRESSED THE IMPORTANCE OF A STAFF TRAINING PROGRAM. THE WESTINGHOUSE CONTRACT CONTAINS PROVISIONS FOR THE THOROUGH TRAINING OF NPC STAFF TO OPERATE THE PLANT, WITH SUBSTANTIAL TRAINING TO TAKE PLACE IN US TRAINING FACILITIES USING CURRENT STATE OF THE ART SIMULATORS. THIS TYPE OF COMPREHENSIVE TRAINING AS PART OF OVERALL SUPPLY CONTRACTS HAS BEEN SUCCESSFUL FOR EACH AND EVERY FOREIGN UTILITY WHICH OPERATES US EXPORTED NUCLEAR POWER PLANTS. THE ALLEGED 1972 SHORTCOMINGS AT A PHILIPPINE ATOMIC RESEARCH CENTER DO NOT APPEAR RELEVANT TO THIS NUCLEAR POWER PLANT PROJECT WHICH WILL BE OPERATIONAL ELEVEN YEARS LATER.

MR. LONG. IN YOUR GENERAL SAFETY REVIEW, DID YOU CONSIDER THE PROXIMITY OF TWO VOLCANOES TO THE PLANT SITE? IN ITS
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REVIEW OF THE PRELIMINARY SITE REPORT THE NRC POINTED OUT

"ALTHOUGH SOME DISCUSSION OF THE VOLCANIC HAZARDS HAS BEEN PRESENTED IN THE REPORT, THE SUBJECT HAS NOT BEEN THOROUGHLY ADDRESSED." THE NRC CONCLUDED THAT MOUNT NATIB WOULD UNDER NRC PRACTICE BE CONSIDERED ACTIVE.

MR. MOORE. RESPONSIBLE PHILIPPINE AUTHORITIES AS WELL AS EXIMBANK ENGINEERS WERE AWARE OF THE GENERAL SITE CONDITIONS. BY ITS NATURE THE PRELIMINARY SITE REPORT COULD NOT ADDRESS ALL ASPECTS OF THE SUBJECT OF SITE CONDITION. HOWEVER, THIS DOCUMENT WAS FOLLOWED BY A MORE THOROUGH STUDY WHICH DID ADDRESS THE POTENTIAL HAZARDS ADEQUATELY AND WAS TAKEN INTO ACCOUNT BY THE PHILIPPINE ATOMIC ENERGY COMMISSION AND THE IAEA PRIOR TO THE ISSUANCE OF THE PROJECT CONSTRUCTION PERMIT. THIS FINAL SITE SELECTION STUDY WAS UNDERTAKEN BY EBASCO AND WAS SUBSEQUENTLY CHECKED FOR ACCURATENESS BY AN INDEPENDENT CONSULTANT BEFORE SUBMISSION TO THE PHILIPPINE ATOMIC ENERGY COMMISSION. THE PROXIMITY OF THE VOLCANOES TO THE PLANT WAS TAKEN INTO CONSIDERATION. EBASCO NOTED, HOWEVER, THAT THE TWO VOLCANOES HAVE NOT BEEN ACTIVE AT ANY TIME IN RECORDED HISTORY. EXPOSURE OF THE PLANT AT NAPOT TO ACTUAL LAVA FLOW WAS EVALUATED AS NOT CREDIBLE, AND NECESSARY PROVISIONS AGAINST POTENTIAL VOLCANIC ASH EXPOSURE HAVE BEEN INCORPORATED INTO THE PLANT DESIGN. THOUGH THE POSSIBILITY OF A MUD SLIDE AT THE PLANT SITE IS REMOTE, THE PLANT IS NEVERTHELESS DESIGNED TO WITHSTAND THIS EVENT. DURING THE PAST MONSOON SEASON NO MAJOR DAMAGE OR EROSION AT THE SITE OCCURRED BECAUSE PERMANENT WATER RUN-OFF FACILITIES WHICH ARE PART OF THE DESIGN ELIMINATED THIS POTENTIAL PROBLEM.

MR. LONG. DID EXIM CONSIDER THE PROBLEM OF SURFACE FAULTING? THE NRC CRITICIZED THE PRELIMINARY SITE INVESTIGATION REPORT ON THE FOLLOWING GROUNDS, "FAULTING WOULD LIMITED OFFICIAL USE
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APPEAR TO BE DIFFICULT TO DETECT IN THE GEOLOGICAL TERRAIN WITHIN THE SITE VICINITY. CONSIDERING THE PAUCITY OF EXPOSURES WITHIN 5 KM. OF THE SITE IT IS DIFFICULT TO ENVISION WHAT TYPE OF FIELD INVESTIGATION WERE CONDUCTED."

MR. MOORE. EXIMBANK WAS SATISFIED THAT THE DESIGN CRITERIA TO BE IMPLEMENTED BY WESTINGHOUSE UNDER THE DIRECTION OF ITS CONSULTING ENGINEER, EBASCO, AND IN ACCORDANCE WITH STANDARDS OF THE IAEA AND THE PHILIPPINE ATOMIC ENERGY AGENCY WOULD MEET REQUIREMENTS NECESSARY TO MINIMIZE ANY EFFECTS OF SURFACE FAULTING. FURTHERMORE, THE REACTOR IS NOT SITUATED ON ANY KNOWN GEOLOGICAL FAULT.

MR. LONG. WAS THE ADEQUACY OF LOCAL CONSTRUCTION

INVESTIGATED? POWER CONTRACTORS, INC., THE DISINI COMPANY THAT EVENTUALLY WON A CONTRACT AS CHIEF SUBCONTRACTOR OF THE CIVIL WORKS IN THE NUCLEAR PROJECT, FILED ARTICLES OF INCORPORATION ONLY A YEAR BEFORE THE PUBLIC ANNOUNCEMENT OF THE WESTINGHOUSE SALE. IS SUCH A NEW AND RELATIVELY INEXPERIENCED COMPANY CAPABLE OF HANDLING A MASSIVE NUCLEAR PROJECT?

MR. MOORE. EXIMBANK RARELY PLAYS ANY ROLE IN THE SELECTION OF LOCAL CONTRACTORS. SELECTION OF THE LOCAL CIVIL WORKS CONTRACTOR WAS A MATTER FOR DECISION BETWEEN WESTINGHOUSE AND NPC. WESTINGHOUSE AS PRIME CONTRACTOR IS ULTIMATELY RESPONSIBLE FOR THE SATISFACTORY COMPLETION OF THE PROJECT, AND ITS CHOICE OF SUBCONTRACTOR IS GUIDED BY THE KNOWLEDGE THAT THE COMPLETED CIVIL WORKS WILL BE SUBJECT BOTH OF ITS OWN CRITERIA AND THAT OF THE PHILIPPINE ATOMIC ENERGY AGENCY. PHILIPPINE EXPERTISE IN CIVIL WORKS CONTRACTING IS RECOGNIZED THROUGHOUT THE FAR EAST.
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THE CIVIL WORKS BEING UNDERTAKEN BY THE LOCAL CONSTRUCTION SUBCONTRACTOR HAS SO FAR BEEN SATISFACTORY AND AHEAD OF SCHEDULE.
-

MR. LONG. DIDN'T IT CONCERN YOU THAT A THOROUGH SAFETY REVIEW HAD NOT BEEN PERFORMED BY EITHER THE PHILIPPINE ATOMIC ENERGY COMMISSION OR THE NRC ON A NUCLEAR FACILITY IN WHICH THE EXIMBANK WAS INVOLVED TO THE TUNE OF \$644 MILLION? HOW WOULD AMERICAN PRESTIGE BE AFFECTED IF A MAJOR ACCIDENT OCCURS OR IF THE OPERATING EFFICIENCY OF THE PLANT DROPS BELOW THE TOLERABLE LEVEL?

MR. MOORE. IN FACT, THE PHILIPPINE ATOMIC ENERGY COMMISSION AND THE IAEA DID CONDUCT SAFETY REVIEWS OF THE SITE SELECTIONS STUDIES AND THE PRELIMINARY SAFETY ANALYSIS REPORT BEFORE ISSUING OFFICIAL CONSTRUCTION PERMITS. (SEE ANSWER TO QUESTION ON PAGE 17). FURTHERMORE, AS NOTED PREVIOUSLY, THE SAFETY RECORD OF US-BUILT COMMERCIAL NUCLEAR POWER PLANTS HAS BEEN EXCELLENT.

IF A MAJOR ACCIDENT WERE TO OCCUR, OBVIOUSLY ALL PARTIES CONCERNED WOULD SHARE IN THE LOSS OF PRESTIGE. HOWEVER, SO FAR, THE US-SUPPLIED NUCLEAR POWER PLANTS BUILT ABROAD, MANY WITH EXIMBANK FINANCING, IN SUCH DIVERSE MARKETS AS TAIWAN, JAPAN, KOREA AND SPAIN, HAVE BEEN HIGHLY SUCCESSFUL FROM AN OPERATING AND SAFETY STANDPOINT.

MR. LONG. WHAT IS EXIMBANK'S VIEW OF THE PROPOSED ENVIRONMENTAL IMPACT SURVEYS FOR ALL FOREIGN PROJECTS? GIVEN ALL THE SAFETY AND ECONOMICS PROBLEMS SUCH A STUDY

OULD CERTAINLY HAVE BEEN USEFUL IN THIS PARTICULAR
CASE WHERE THE LOCAL GOVERNMENT DID NOT POSSESS THE RE-
SOURCES FOR MAKING AN ENVIRONMENTAL STUDY.

MR. MOORE. EXIMBANK HAS NO OBJECTION TO "ENVIRONMENTAL
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IMPACT SURVEYS" BEING DONE BY FOREIGN PURCHASERS, BUT
EXIMBANK IS NOT IN A POSITION TO IMPOSE SUCH A REQUIRE-
MENT ON SOVEREIGN NATIONS. IN FACT, SAFETY AND ECONOMIC
PROBLEMS WERE ADEQUATELY STUDIED IN THIS PROJECT BY THE
PHILIPPINE AUTHORITIES, THE IAEA AND THE SUPPLIER; AND
NUCLEAR PROLIFERATION CRITERIA WILL HAVE TO MEET NRC
STANDARDS BEFORE AN NRC EXPORT LICENSE IS GRANTED.
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